Continental Can Company, Inc.
Annual Report 1966

Cover:

Three basic materials of the packaging industry, paper, plastics and metal, take the form of the Continental trademark to symbolize the diversity of your Company's interests across a broad spectrum of packaging products.

Contents

Annual Meeting

The Annual Meeting of Stockholders will be held at 10 a.m. Eastern Standard Time, Tuesday, April 25, 1967, at the Biltmore Hotel, Madison Avenue and 43rd Street, New York City.

Continental Can Company, Inc. 633 Third Ave., New York, N.Y. 10017

NOTE–The following trademarks mentioned in this report are owned by Continental Can Company, Inc.: Super Ring-Pull, White Cap, Tite-Pack, Press-Twist, Jak-Et-Pak, Bondware, Quartite, Bond Crown, Conoweld, Sepro, Easy-O, Tiffin and Conaloy.

Highlights of the year

	1966	1965
Net Sales and Operating Revenues	**$1,339,180,000**	$1,233,930,000
Earnings		
Before income taxes	**$ 131,027,000**	$ 111,727,000
Per cent of sales	**9.8%**	9.1%
After income taxes	**$ 70,916,000**	$ 59,514,000
Per cent of sales	**5.3%**	4.8%
Per Common share	**$ 3.81**	$ 3.21
Reinvested in the business	**$ 38,144,000**	$ 32,245,000
Per Common share	**$ 2.06**	$ 1.75
Dividends to Common Stockholders	**$ 32,472,000**	$ 26,868,000
Paid per Common share (current annual rate, $1.90 per share)	**$ 1.75**	$ 1.46
Average number of Common shares outstanding	**18,539,224**	18,404,643
Capital Expenditures	**$ 84,500,000**	$ 83,400,000
Working Capital—December 31	**$ 190,461,000**	$ 173,872,000
Common Stockholders' Equity—Per share at December 31	**$ 30.02**	$ 27.87
Average Number of Employees	**48,120**	47,287

The 1965 figures have been restated to include Quartite Creative Corporation and Tiffin Art Glass Corp., and also to reflect the 3-for-2 stock split in 1966.

To our stockholders

In 1966, Continental reported record sales and earnings for the third successive year.

Sales and operating revenues totaled $1,339 million, $105 million or 8.5 per cent over the 1965 figure. This year-to-year gain, the largest we have ever recorded, was a major factor in our improved earnings.

Net earnings were $70.9 million, an increase of $11.4 million, or 19 per cent. Earnings per share were $3.81 compared with $3.21 in 1965. It is particularly gratifying that return on sales rose to 5.3 per cent and on Common stockholders' equity to 13.2 per cent; both of these important measurements of earnings are records for the postwar years.

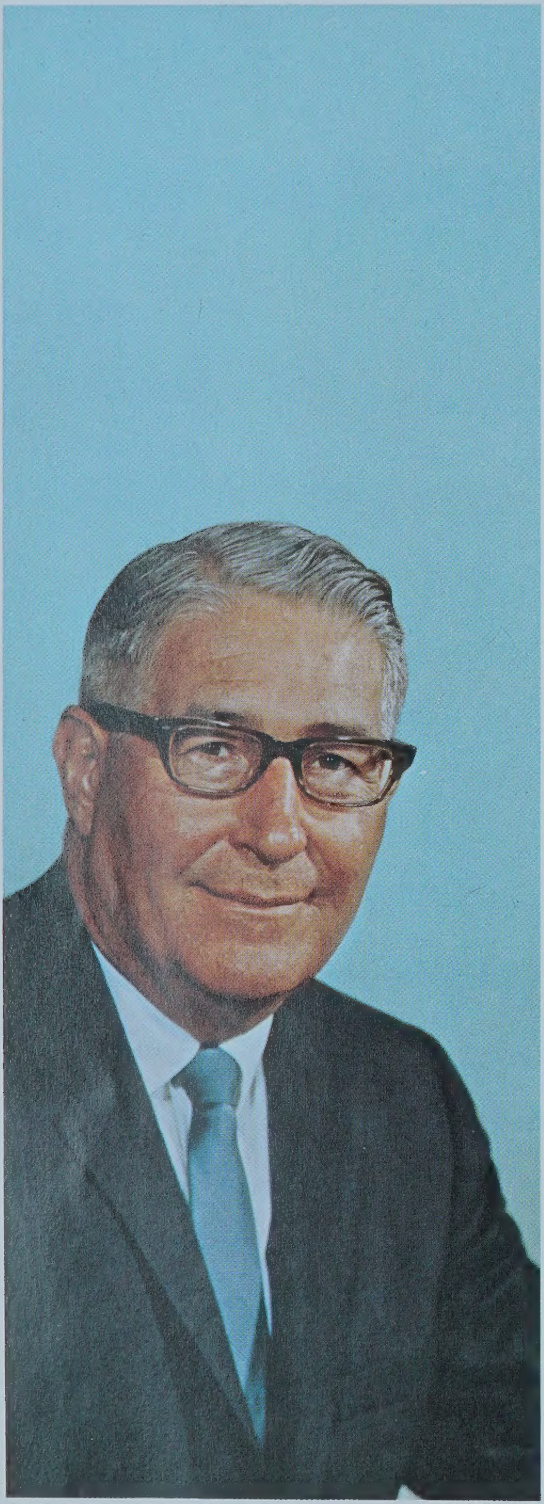
The strength of the economy in 1966 made a major contribution to Continental's sales gains, but in many product lines our increases outstripped the national rate of growth. Easy-opening cans for beer and soft drinks scored dramatic sales advances. Major segments of the paper packaging industry had record growth rates. Flexible packaging and plastic bottle sales reached all-time highs, as did the sale of Continental products in Canada and overseas.

Improved manufacturing methods and cost reductions, the introduction of new products, and partial recovery of prices in a number of depressed market areas all contributed to the excellent 1966 performance. Together, these factors enabled us to offset much of the higher cost of wages, salaries and many materials used in our manufacturing operations.

In July of 1966, the Directors authorized a 3-for-2 Common Stock split and increased the dividend on the new Common Stock from 40 cents to 47½ cents per quarter, or, on an annual basis, from $1.60 to $1.90 per share. This was the fourth dividend increase since 1962 when the annual dividend was $1.20 on the basis of the present shares.

The overall financial position of the Company was further strengthened during 1966 and cash on hand at year end increased $13.6 million to $55.9 million. Long term debt was reduced by $5.7 million, and approximately 30 per cent of the outstanding Preferred shares were purchased at times when market conditions were advantageous.

Capital expenditures were $84.5 million compared with $83.4 million in 1965. Metal Operations continued to expand production capacity by completing seven new plant locations and installing 15 new lines,



Ellison L. Hazard, President

including the Company's first two-piece aluminum can line. Other major projects included completion of a new pulp mill and the second bleached paper machine at Augusta, Georgia, a new fibre drum plant in Connecticut and a new plastic bottle plant in New Jersey.

During the year, we further intensified our research and engineering efforts. Among the many container improvements introduced, the most significant was the development of the Conoweld method for producing tin-free steel cans by welding the side seam. No advance of comparable importance to the canmaking industry has occurred in decades. Several commercial Conoweld lines will be installed during 1967; we can already discern additional changes of major economic significance through future refinement of this technique. We continue to increase the pace of our research and are confident of our ability to lead in introducing significant improvements in packaging materials and technology.

The ability of Metal Operations to introduce important new products—and at the same time establish records in the number of can manufacturing lines installed, the number of plants opened, and in the volume and quality of products delivered—is convincing evidence of the success of our program to strengthen the structure and quality of our organization.

Equally encouraging was the response of our Paper Operations to the strong markets of 1966. Mills operated virtually at capacity, and sales of almost every type of converted product reached new highs. We look for further gains in 1967, although not at the same high rate as in 1966.

Our Flexible Packaging, Plastic Container and White Cap operations all established new sales and income records, as did the Continental Can Company of Canada. The Consumer Products and Bondware Divisions encountered keen competitive pricing and did not match their 1965 performance. Plans for the improvement of these operations are being aggressively implemented and should lead to better results in 1967.

The Brockway Glass Company, in which Continental holds 1,000,000 shares of Class B stock, had a good year, confirming the soundness of this investment. Mining operations by Occidental Petroleum on our phosphate deposits in Hamilton County, Florida, increased during the year and should increase again in 1967.

In October, your Company was privileged to act as host at the Thir-

teenth International Technical Conference of Continental's European associates. Held at the Company's Technical Center in Chicago and attended by the chief executives and principal technical experts of the participating companies, the conference provided a valuable interchange of the latest technical advances by Continental's international "family."

Mr. John M. Franklin, after 15 years of able and devoted service, has indicated his intention not to stand for re-election to the Board of Directors. We will miss his wise counsel. Mr. Leslie H. Warner, President and Chief Executive Officer of General Telephone & Electronics Corporation, joined our Board of Directors in July. We are delighted to have him associated with our Company. In the same month, Mr. William M. Allin, who has had long experience in the paper industry and with our Company, was appointed Group Vice President—Paper Products Operations.

At this writing, the outlook for the U.S. economy is not so clear as it was a year ago. Although the prospect appears to be one of continued growth, the rate of increase has slackened. The government's action in suspending the 7 per cent credit on capital investments, and the recommendation for an income tax surcharge, if approved, will obviously increase our 1967 taxes. We feel, however, that in the consumer packaged goods market, where most of our sales volume is generated, the products in which we have the greatest stake will show continued growth. We therefore believe that 1967 will be another fine year for your Company.

Continental's 228 plant and office locations are manned by approximately 48,000 employees. Working together, Continental's people produced the finest year in your Company's history; it is fitting that we present them to you, our many loyal shareholders, in the following pages.

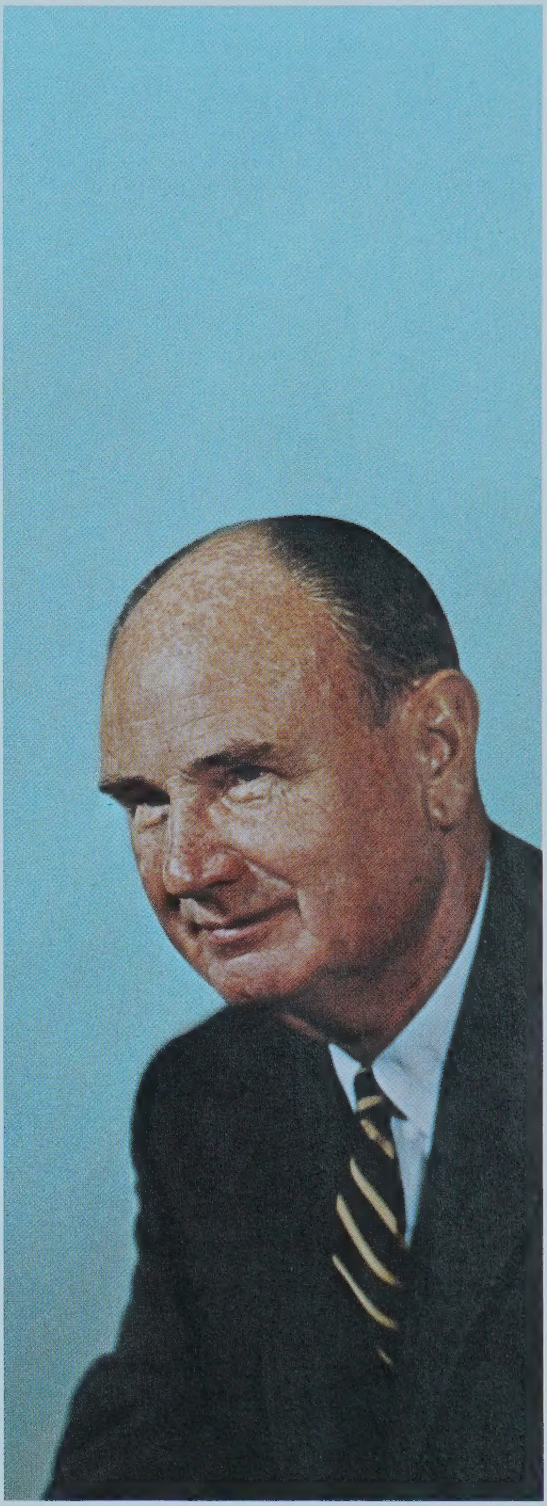
By order of the Board of Directors,

T. C. Fogarty

Chairman of the Board

President

March 14, 1967



Thomas C. Fogarty, Chief Executive Officer

Continental's people spent a busy and productive year during 1966. In forestry and engineering, in manufacturing and administration, in sales and customer service, in every occupation employees of the Company can take genuine pride in a year of outstanding achievement.

A year of achievement: the role of Continental people

Continental's growth—from a small canmaker in 1905 to a diversified leader in packaging today—has been a product of the skills and dedication of the Company's people. Corporations, like individuals, have distinctive personalities. The personality of Continental reflects the aspirations, abilities and accomplishments of the men and women who built the Company, as well as those who now operate its business and plan for its future growth.

The year just past was one of particular challenge and achievement for the people of Continental. In sales and marketing, in manufacturing and engineering, in customer service, in research and development, in administration and in general management—across all the areas of your Company's business—the determined effort of Continental's people moved the Company to the highest levels of sales and earnings performance in its 62-year history.

In building this record, the Company's employees have added to an already strong base for growth in the years ahead.

Although a sound financial record is a fundamental measure of a Company's year-to-year progress, only one dimension of the year's achievements can be presented in the financial statements in this report. The purpose of the following pages is to portray another dimension of the Company's strength—the effort and imagination of Continental's people demonstrated by their activities during 1966.

This year's report to stockholders reviews some of these accomplishments and highlights the gratifying returns that your Company has derived from them. It presents the Continental people who serve our customers directly, as well as those who are concerned with the design of more appealing packaging for our customer's customer—the ultimate consumer; it describes some activities of those in research and development; and it outlines the organization structure in which Continental's people work and the framework within which they plan for the Company's further progress.

We hope that you, as a stockholder of Continental, will share the same sense of pride that these Continental people take in their accomplishments...and that you will gain an understanding of the human resources that underlie your Company's vigor and forward movement.

Customer service has traditionally been an intangible "plus" value of Continental products. Above, one of Continental's veteran customer equipment service engineers calls at a brewery to check cans sealed on Continental can-closing machines.

A year of achievement in service to customers

During 1966, Continental sold its products to over 20,000 customers, among them three-quarters of the nation's 100 largest manufacturing concerns. While the Company serves almost every segment of United States industry, most of its output goes to manufacturers of foods, beverages, household supplies and personal products, items which are produced and go to market in packaged form. Thus a steady, reliable source of attractive packages is as essential to these companies as are labor, power or their own basic raw materials.

It is not surprising, then, that our customers look for dependable delivery, reliable quality and technical support from Continental. Nor is it surprising that Continental's sales success stems directly from its principle that "the customer comes first."

Customer service starts with Continental's sales force. Selling the Company's products goes beyond quoting a price and picking up an order. Each Continental salesman is expected to know the business of each of his customers, including marketing strategy, production methods, administrative procedures and financial situation. Only with this understanding can the salesman offer Continental's products and services in the form most appropriate for the customer's particular needs.

In addition to the Company's 730 front-line sales personnel, another 930 people work in 113 sales office locations, giving direct support—ranging from order handling to design service—to customers. A fine 1966 performance by this sales team contributed greatly to the largest year-to-year sales increase in your Company's history.

No sale is completed until the product is manufactured and delivered. Most of Continental's packages are produced at high speeds and are shipped in large quantities according to closely planned schedules. Failure of a single container in the hands of the consumer may damage our customer's reputation for quality. A missed shipment can upset his production schedules and perhaps cause the loss of perishable raw products.

It takes the teamwork of all the people in our 171 plants to make the quality products that build customer satisfaction. The Company's success depends on the skill of these plant employees. Their ranks include people with proven knowledge in a wide variety of specialized trades, workers just starting and the 5,000 Continental veterans with over 25 years of

Salesmen, warehousemen and package designers strive to fulfill customer needs for package integrity, dependable delivery and merchandising appeal.

First-line responsibility for product quality and resulting customer satisfaction lies with the Continental operator, whether his machine bakes beer can linings or extrudes plastic sheet.

continuous service.

Next, the completed product must be delivered. Our products are, in general, light but bulky and freight costs are therefore relatively high. Nearly 300 traffic specialists plan the best methods of moving goods from our factories to our customers.

Prompt and economical delivery of goods is a paramount consideration when selecting plant sites. During 1966, Continental engineers opened 12 new factories, each of them strategically located to serve an important market area.

A plant relocation with historic overtones was the closing in 1966 of Continental's original facility in Syracuse, New York, and its replacement by three smaller operations, each situated close to a key segment of the can market of western New York State.

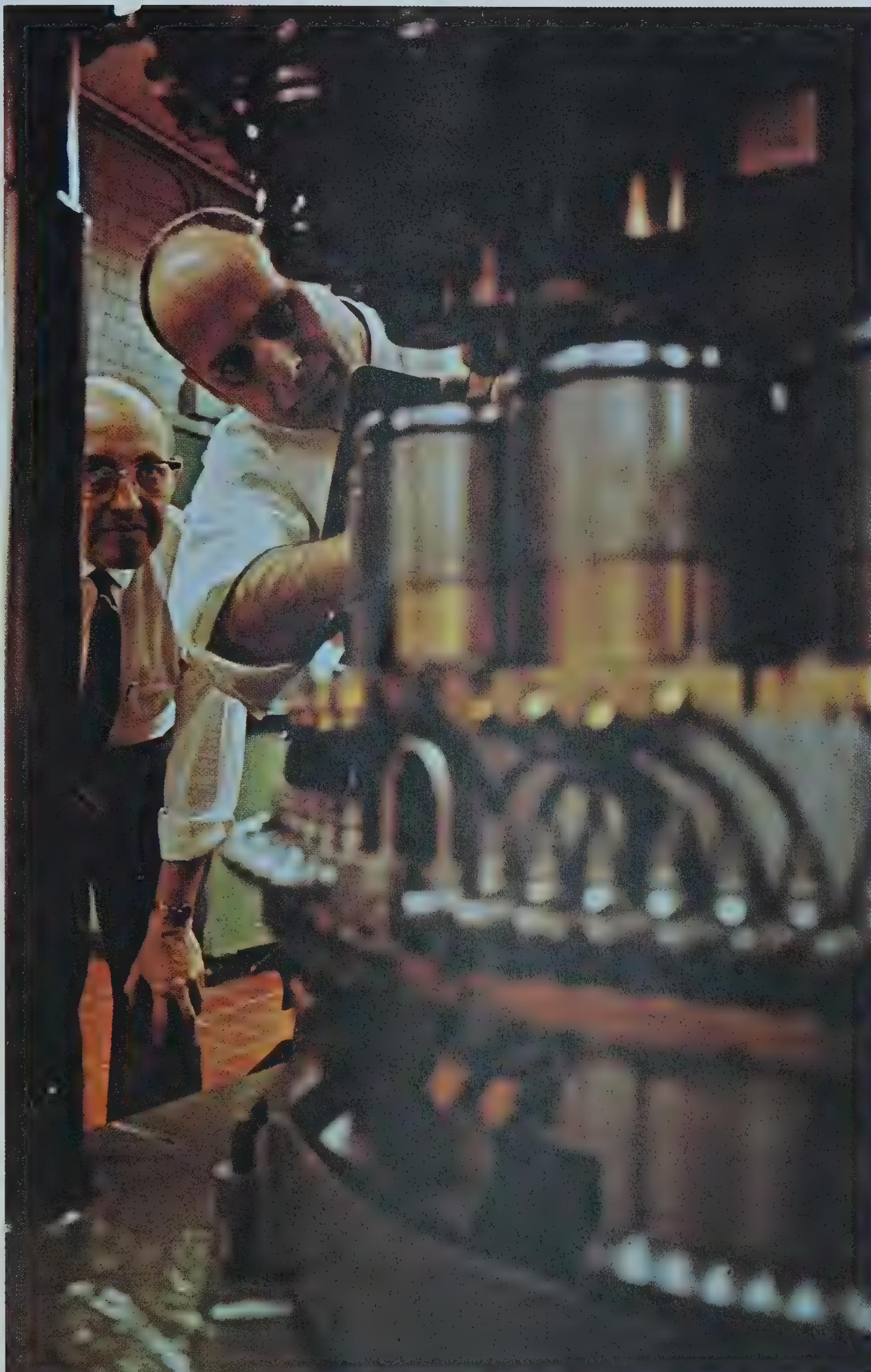
Containers often require special handling in the customer's plant; Continental has long been a leader in the design of equipment for handling and sealing of packages. Of the high-speed filling lines of the brewing and soft drink industries—lines operating at over 900 cans per minute—85 per cent are equipped with Continental closing machines. This leadership will be enhanced by our recently announced 1400 HCM closing machine, capable of speeds of over 1,400 cans per minute.

More than 330 Continental technicians install and service can-closing machines, vacuum cappers, Jak-Et-Pak and Tite-Pack machines in this country and abroad.

Other Continental specialists provide field research assistance on packaging problems, advice on package labels and design and in-plant materials-handling counsel.

Supporting those directly engaged in sales, manufacturing and technical service activities are the many Continental people working in such functions as accounting, industrial relations, purchasing, credit, research and engineering.

Indeed, the effectiveness of every department of our Company is judged by its contribution to customer service. The foundation of Continental's success in the past has been the quality of its service to customers. Continental's hopes for the future rest upon continued customer confidence in our ability to serve them well.



The skill of engineers who design and build Continental packaging equipment stands behind every customer service call. Above, new closing machine, being laboratory tested, will close beer cans at a rate of 1,400 per minute.

People who audit quality of finished products, automate harvesting and chipping of pulpwood, or plan the schedules of Continental's plants are as essential to good customer service as those who operate its machines or sell its products.

The final arbiter of all packaging questions is the ultimate user of the packaged product. Research to determine consumer attitudes helps Continental maintain leadership in package innovations. At lower right, consumer panel tests new package idea. Continental's Super Ring-Pull beer and soft drink cans and Easy-O full-opening can ends were successful 1966 developments which passed such consumer tests with flying colors.

Serving the customer's customer

Not many years ago a package was considered successful if it carried its contents to market and into the home without breaking. Subsequent opening of the package was usually left up to the ingenuity of the housewife, and often the contents required much preparation before use.

Now Continental's customer finds *his* customer—the consumer—harder to satisfy. The package must be convenient to handle and open; it must assist in the sale and use of the product—as well as protect it. This expanded role of the package has brought Continental, traditionally a supplier to industry, face to face with the need to please the ultimate consumer.

Each Continental scientist, salesman and marketing executive must look at his function from this perspective. Will the package appeal to the ultimate purchaser? How can consumer reactions be tested and the tests evaluated? What package improvements are indicated? These are some of the questions those in package design must ask—and answer.

Continental's consumer-oriented package innovations increased in number and acceptance in 1966; a few examples are noted below, and others are shown in the accompanying illustrations.

The Super Ring-Pull end, originally conceived by a Continental engineer, proved the best self-opening device for beer and soft drinks. Spurred by this feature, cans captured 45 per cent of the expanded market for packaged beer, up from 42 per cent in 1965, and soft drink can sales increased over 40 per cent to a 1966 industry total of five and one-half billion cans.

Continental's Jak-Et-Pak system for multi-packaging of cans and bottles found new applications, as packers and consumers continued to welcome the economy and convenience of buying frequently used products in packs of two, four, six or eight containers.

Our White Cap Division—the leader in vacuum closures—introduced its new Press-Twist cap. This closure employs a proprietary technique for applying sealing compound to combine maximum capping efficiency in our customers' plants with easy opening and reclosure by the consumer.

In flexible packaging, the new Peel-Seal pouch provides a heat seal secure against accidental breakage, but easily peeled open in use.

These innovations are typical Continental answers to the growing demand for packaging convenience — a demand which promises to keep Continental's research, sales and marketing people even busier in 1967.

New product planning session (in top photo) matches packaging concepts to product requirements. Young consumer in lower picture tries out Continental's new Sepro can as part of in-home use test.

New era in can manufacturing was ushered in when Continental scientists developed a practical process for welding side seams. Above, stream of formed can bodies speeds past welding head. The new process permits use of less costly tin-free steel and promises important changes in economics of can manufacture.

A year of achievement in research and engineering

Continental's Technical Center in Chicago may be likened to a crossroads meeting place for packaging ideas. To it come the demands of the market for new convenience features, new structures and new shapes and sizes. From another direction comes knowledge emerging from research being done throughout the world. Yet another road brings visitors with experience in package design and manufacture gained in Continental's plants.

Converting this flow of knowledge and ideas into a stream of practical products and processes is the job of the people of the Chicago Technical Center. Almost 1,000 strong, they include scientific personnel representing 29 different technical disciplines. Many others have extensive practical backgrounds in engineering, manufacturing, and laboratory work. Other specialists have come from the field of education or from different industries.

In 1966, Continental teams developed new manufacturing methods, using new materials and new structures, and promising improved standards of container performance and economy.

An outstanding example was the development of the Conoweld process which utilizes breakthroughs in electronics and welding techniques to attain the long-sought goal of welding the side seams of metal cans. Conoweld frees the canmaker from dependence on tin and permits the use of materials such as low cost tin-free steel, or steel coated with aluminum or chromium. The direct metal-to-metal fusion inherent in welding guarantees integrity of the side seam. Less metal is used, and costly adhesives, fluxes and solder are eliminated. Initial manufacturing speeds promise to be as great or greater than those which the industry has reached after years of refinement of the conventional soldering process.

Conoweld will first be offered to the brewing industry, with significant commercial production scheduled for the middle of 1967. Eventually it is expected that a much broader range of Continental's cans will be produced by welding.

Interest in two-piece aluminum cans for beer and soft drinks continued to grow in the marketplace. During 1966, the Company put one line into operation to produce aluminum cans by Continental's extrusion and wall-ironing method; four such lines are being installed in 1967 and five more are in preparation.

The search for new packaging materials and new combinations of materials is a central activity of Continental scientists. Above, researchers at Chicago Technical Center inspect materials for flexible packaging laminations.

Research in plastics for a variety of packaging applications is carried on at Continental's laboratories. Technician, above, measures densities of polyethylene test samples.

Continental engineers also designed and in 1966 began installation of a prototype line to produce two-piece drawn and wall-ironed steel aerosol cans so that the merits of this process might be studied under commercial operating conditions.

Another group of Continental people staff our Paper Research and Engineering Center at Augusta, Georgia. Concerned with the improvement of the equipment, materials, processes and products of our paper mills, they have been active in studying applications of computer control to the papermaking process and are currently operating four batch digesters by means of programmed electronic controls at the Port Wentworth mill. Cooperating with men from the Woodlands Division, they conducted studies to determine what types of trees produce the greatest yield in our pulping processes.

The diversity of skills of our technical people encourages projects where the combining of packaging materials promises economic or functional advantage.

Continental's Sepro can is a prime example. In conventional aerosol packaging, the product and propellant are mixed, limiting the types of products which can be packed. Within the new Sepro can a blow-molded bag made of our proprietary plastic, Conaloy, holds the product, separating it from the surrounding propellant. In use, the propellant compresses the bag and discharges the undiluted product through an appropriate valve. Applications tested in 1966 include snack foods, toothpaste, lubricants and caulking compounds, all promising new markets.

Plastic, metal and paper were combined to form a new citrus concentrate package introduced in 1966. Assembled on specially designed Continental equipment, the new cylindrical containers have metal ends (one self-opening) and decorated paperboard bodies coated with plastic for protection against moisture and to permit heat sealing of side seams.

Looking ahead, your Company expects acceleration in the quest for new packages and in the parade of new discoveries in basic science. Our Technical Centers will become even busier crossroads, calling for the greatest ingenuity and imagination from our people to provide our customers with the materials, structures and packaging methods that their future demands.

New techniques for depositing inks on packaging material surfaces by electrostatic attraction hold promise for printing and decorating. Above, Continental scientists examine screen used in electrostatic printing research.

Reaching into the future, scientists (top) work with exotic metal coatings in laboratory chamber which provides totally controlled test environment. Affiliations with overseas concerns such as Britain's Metal Box Company (center) keep Continental abreast of packaging innovations abroad. Electromagnetic screen (bottom) shields experiment at Chicago Technical Center.

Continental's organization and philosophy

Since Continental's success depends on individuals, an environment that encourages individual effort and recognizes individual results is essential. At the same time, achievement of group goals requires coordination of these individual efforts through an effective organization structure.

Because Continental's packaging businesses differ markedly from one another in technology, market conditions and economic factors, your management has found it logical to decentralize the Company along product lines. Each product division is directed by a General Manager, who supervises the sales force, factories, research, and administration of his business, and is responsible to corporate management for its profits and for healthy growth.

Equally important is the division General Manager's responsibility to the people of his division—first, to compensate each in proportion to his skills and performance and consistent with practices in his particular

Representing leadership of Continental's organization are the Executive and Group Vice Presidents responsible to the Chairman and President for the successful operation of your Company.
From left to right, above, are:
J. A. Stewart, Executive Vice President, Plastics, Closures and Consumer Products;
W. M. Allin, Group Vice President, Paper Products Operations;
L. Wilkinson, Executive Vice President, International Operations;
R. S. Hatfield, Executive Vice President, Metal Operations;
C. B. Stauffacher, Executive Vice President, Finance and Administration.

industry; and second, to enable each employee to find satisfaction in his work and to progress toward his career goals.

Continental places responsibility for operating decisions at the first point at which it is practical to collect and evaluate pertinent information. However, delegation of authority does not imply abdication of responsibility at the corporate level. Continental's corporate management and staff monitor the performance of each division, and assist in the identification and correction of trouble spots. They review long range plans and strategies, allocate capital to the most promising opportunities and participate in the establishment of operating budgets. The corporate staff provides certain services which can be most effectively performed centrally. Above all, corporate management retains responsibility for, and control of, the principles by which your Company is guided and of the objectives towards which it will move in the future.

In our decentralized organization, young people meet responsibility early in their business careers. Continental has been fortunate in attracting and holding people able to exercise this responsibility effectively, for the Company's success depends upon the capability, experience and judgment of individuals throughout the organization.

To insure a continued supply of managers and specialists, the Company recruits the best young people available from among those graduating from college, veterans of the armed services and young men with some business experience. During 1966, over 200 such people joined Continental. Needless to say, Continental recognizes no barriers of race, color, religion or sex in building its organization.

Although a majority of young people with the desire and potential for business management now find it possible to go to college, Continental continues to promote many without degrees from its own ranks. During the past year, more than 60 former hourly and clerical employees entered management training programs.

Your management takes great pains to keep in close touch with the performance of both promising young people and seasoned professionals, to evaluate their potential and to make sure that each has the chance to develop his talents.

Continental's future rests in their hands.

Responsibilities of operating managers include first-hand knowledge of markets served, career counseling of subordinates and recruitment and training of future leaders.

Continental's rise to packaging leadership from a single-product can manufacturer 62 years ago to the world's most diversified packaging company today is dramatically indicated by this photograph of the Company's Augusta paper mill. Capacity of the mill was increased by 70 per cent during 1966 with addition of new Fourdrinier machine.

Continental's horizons

Sixty-two years ago, the Company operated two plants producing plain metal food cans. From that modest beginning, the people of Continental have expanded your Company's horizons to include a broad range of packaging businesses, serving thousands of customers from hundreds of locations around the world.

Continental's first license agreement with an overseas canmaker was signed in 1930. The first crown closure plant was added in 1939. The Company entered the paper packaging field in 1942 and acquired its first paper mill five years later. Flexible packaging and plastic container operations joined the list in 1953 and vacuum caps in 1956. Since the mid-1950's Continental has been the world's most diversified package maker.

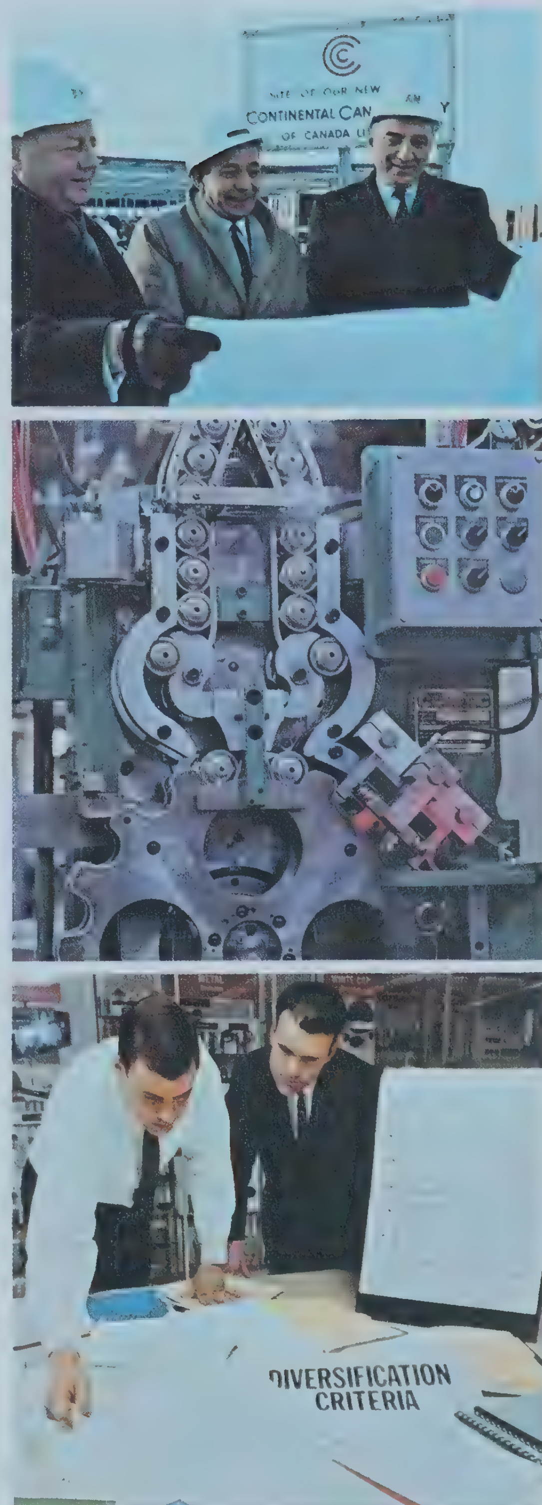
The Continental Can Company of Canada, Limited, manned and managed by Canadians, has developed along the same lines and now occupies in the Canadian economy a position comparable with that of the parent company in the United States.

Affiliations with 54 companies in 45 foreign countries provide Continental with an important stake in the growth of packaging abroad, expanded in 1966 by a joint venture for composite can manufacture in Brazil, an agreement to acquire majority interest in a Mexican canmaking firm and construction of a paper mill in Colombia.

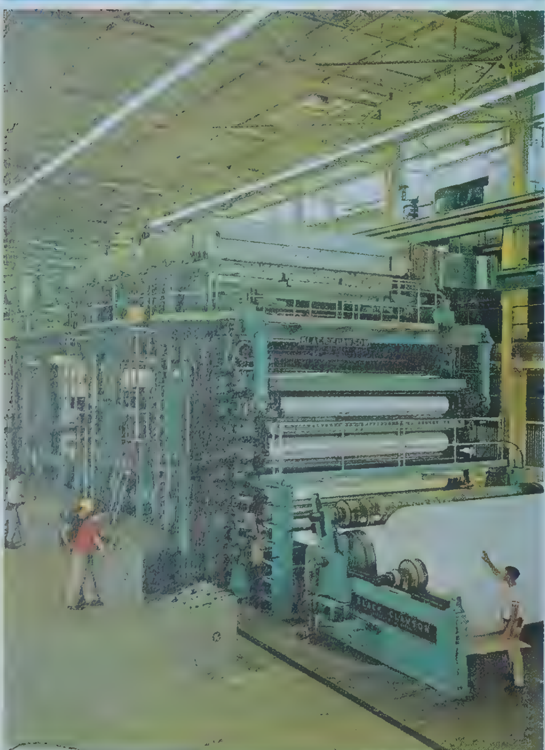
For many years, Continental has manufactured certain consumer products related by technology to packaging operations. In 1965, the Consumer Products Division was formed to direct these efforts; in 1966, its activities were broadened by the acquisition of the Quartite Creative Corporation, producers of lamps and decorative home furnishings, and the Tiffin Art Glass Corp., manufacturers of handcrafted crystal.

We see on our horizon steadily increasing markets for established products. However, Continental's long-range planning criteria place no specific limitation on the direction of future growth, for it is certain that a changing world will bring the Company further diverse and perhaps unexpected opportunities.

Consistent with the strengths and capabilities of Continental's resources and people, we intend to seek out and build upon the most promising of these opportunities—whether familiar or new—to create the greater Continental Can Company of the future.



Expansion of existing businesses here and abroad, design and construction of machines to fabricate new packages, and a systematic search for new opportunities are all a part of Continental's look to the future.



Capital expenditure program in 1966 amounted to $84.5 million. Important projects included new plants such as this can factory at Racine, Wisconsin, and new bleached paperboard machine at Augusta, Georgia.

Financial and Operating Review

Sales and Revenues

A breakdown of net sales and operating revenues, by product lines, is shown in the following table:

	1966		1965	
	Total in Millions	Per Cent	Total in Millions	Per Cent
Metal and Composite Containers	$ 756.1	56.5	$ 694.2	56.3
Paper Products and Flexible Packaging	425.6	31.8	386.9	31.3
Plastics, Glass and Closures	117.7	8.8	113.0	9.2
All Other	39.8	2.9	39.8	3.2
TOTAL	$1,339.2	100.0	$1,233.9	100.0

Earnings

Earnings per share of $3.81 for 1966 and $3.21 for 1965 were calculated on the average number of Common shares outstanding during the year. The return on Common Stock equity figure has been added to the ten-year review, which also includes before and after tax return on sales.

Acquisitions

In 1966, Quartite Creative Corporation and Tiffin Art Glass Corp. were acquired in exchange for 87,843 Common shares. The 1965 financial statements have been restated to give retroactive effect to these acquisitions.

Financial Position and Working Capital

The Company's financial position was strengthened in 1966. Working capital improved by $16,589,000. The ratio of current assets to current liabilities at year end 1966 was 2.2 to 1 compared with 2.0 to 1 a year prior. Long term debt and Preferred Stock outstanding were reduced by $8,886,000 in 1966 and by $35,179,000 in the last five years. The Company sold to the Peachtree Generating Corp., in which it has a half interest, its steam and power facilities at Augusta, Ga., for $7,860,000.

Dividends and Retained Earnings

In July 1966, the Board of Directors authorized a 3-for-2 Common Stock split and a new regular quarterly dividend rate of 47½ cents per share, an annual increase of 30 cents on the new shares. The additional shares representing the stock split were mailed in September to stock-

holders of record as of August 22, 1966. On December 15, 1966, with its 200th Common Stock dividend, the Company completed 44 years of uninterrupted quarterly dividend payments. After dividend payments, \$38,144,000 of 1966 earnings was retained and reinvested in the business, as compared with \$32,245,000 in 1965.

Capital Expenditures

In 1966, capital expenditures amounted to \$84,500,000, compared with \$83,400,000 in 1965. The expansion of our paperboard mill in Augusta, Ga., was completed and operations were started in seven new can plants, two Bondware plants, a plastic container plant, a molded-pulp egg carton plant and a fibre drum plant. Fifteen new can lines, including one line for two-piece aluminum cans, were installed in 1966. Additional production facilities were also added in our glassware plants and in plants of the Flexible Packaging, Folding Carton, Corrugated Box and White Cap Divisions. Total holdings of woodlands increased by 29,270 acres.

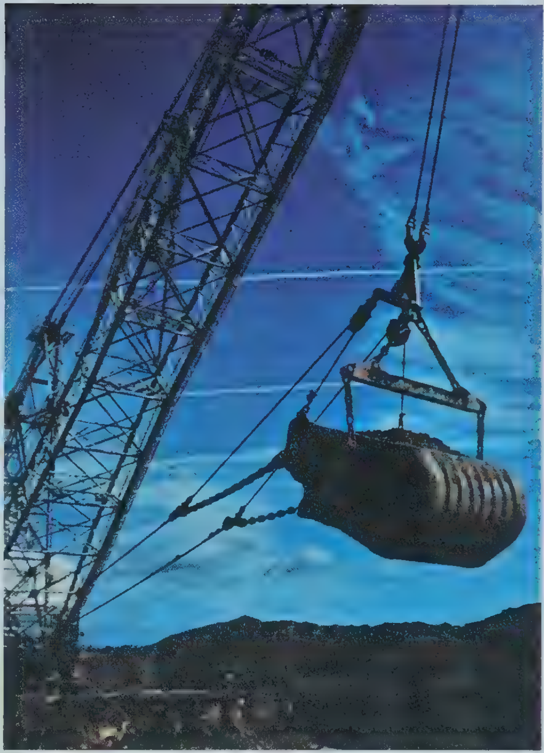
In 1967, capital expenditures are expected to reach \$93,000,000. Eight new plants will go into operation–six for metal cans, one for fibre drums and one for metal closures. Additions to existing buildings will be made at seven metal can plants and two corrugated box plants. The metal can divisions will install a number of new lines for beer and soft drink and aerosol cans, including several Conoweld lines, and four lines for two-piece aluminum cans. Equipment improvements to reduce costs and increase machine speeds will be installed at the Hodge, La. and Hopewell, Va. paper mills. Other principal equipment additions will consist of extruding, laminating and gravure equipment for flexible packaging; blow-molding lines for plastic containers; a second molded-pulp machine for egg cartons; and a tempered glassware line. Approximately \$3,000,000 will be spent for air and water pollution control.

Investments

Investments increased by \$2,184,000 due principally to acquisition of additional equity in associated companies in Colombia, Mexico and Spain.

Depreciation and Income Taxes

Depreciation and depletion charges in 1966 were \$46,535,000, compared with \$45,192,000 in 1965. For financial statement purposes, depreciation is calculated on a straight-line basis, while for income tax purposes accelerated methods and useful life guidelines permitted by the Internal



Reaching beyond the packaging field, Continental benefited from full-scale mining of phosphate deposits found on Company woodlands. Consumer glassware line was rounded out by the addition of Tiffin handcrafted crystal.

Revenue Service are used. This resulted in a lesser amount of income tax ($6,303,000) being currently payable. This amount has been added to the reserve for deferred income taxes and does not affect net earnings reported in the financial statements.

The investment tax credit arising in 1966 and used to reduce the provision for income taxes was $4,700,000; the comparable figure in 1965 was $2,900,000. The investment tax credit has been suspended until January 1, 1968, except for certain types of projects substantially underway before October 10, 1966. Accordingly, there will be a significant reduction in the investment tax credit in 1967.

Group Insurance and Pensions

The cost of employee group insurance for 1966 was $19,187,000 as compared with $16,804,000 in 1965. This insurance provides life, health and accident insurance, hospitalization and surgical benefits for all employees and some benefits for dependents.

Pension costs were $18,971,000 as compared with $15,412,000 for the preceding year. At the year's end, 4,454 retired employees were receiving pensions under the Company's active pension plans. A year earlier the number was 3,969.

Stockholders

At year end, 68,399 stockholders held 18,646,736 shares of Common Stock. Approximately 89 per cent of the stockholders were individuals holding about 39 per cent of the outstanding Common shares. In addition, 415,502 Common shares were held in the treasury. Also at year end, 744 stockholders held 71,740 shares of Preferred Stock and 78,260 Preferred shares were held in the treasury.

Under the 1966 Employee Stock Purchase Plan for eligible salaried and hourly employees, approved at the 1966 Annual Meeting, a total of 356,928 shares were subscribed and 152,323 purchased during 1966.

On April 27, 1966, the Certificate of Incorporation of the Company was amended to increase the authorized Common Stock from 15,000,000 to 30,000,000 shares; to reduce the par value thereof from $10 to $5; and to authorize 1,000,000 shares of Junior Preferred Stock, par value $1 per share. The purpose of this amendment was to provide additional shares for a stock distribution and for other corporate purposes such as acquisitions and additional financing.

Charles B. Stauffacher

Executive Vice President,
Finance and Administration

Statement of Consolidated Earnings and Retained Earnings

	In Thousands of Dollars	
	1966	1965
Income		
Net Sales and Operating Revenues	**$1,339,180**	$1,233,930
Other Income	**5,608**	3,305
	1,344,788	1,237,235
Costs and Expenses		
Cost of Goods Sold and Operating Expenses	**1,065,773**	980,303
Selling, Administrative and Research	**93,150**	91,956
Depreciation and Depletion	**46,535**	45,192
Interest	**8,303**	8,057
	1,213,761	1,125,508
Earnings Before Income Taxes	**131,027**	111,727
Provision for Income Taxes	**60,111**	52,213
Net Earnings for the Year	**70,916**	59,514
Dividends on Preferred Stock	**300**	401
Net Earnings Applicable to Common Stock (Per share—1966, \$3.81; 1965, \$3.21)	**70,616**	59,113
Dividends on Common Stock *(current annual rate, \$1.90 per share)* (Paid per share—1966, \$1.75; 1965, \$1.46)	**32,472**	26,868
Retained Earnings		
Current Year	**38,144**	32,245
Previous Years—restated for poolings of interests	**312,137**	279,892
Retained Earnings—December 31	**$ 350,281**	$ 312,137

See notes to Financial Statements.

Consolidated Balance Sheet

ASSETS

	In Thousands of Dollars December 31	
	1966	1965
Current Assets		
Cash and Short Term Securities	**$ 55,850**	$ 42,237
Receivables, less Allowances	**101,819**	93,871
Inventories	**191,386**	207,850
Total Current Assets	**349,055**	343,958
Investments and Advances	**51,246**	49,062
Prepaid Items and Other Assets	**10,947**	12,020
Property, Plant and Equipment (at cost)		
Land	**10,573**	9,977
Buildings and Equipment	**842,102**	778,008
Timberlands	**70,978**	66,681
Construction in Progress	**39,990**	56,666
	963,643	911,332
Less—Accumulated Depreciation and Depletion	**417,476**	391,019
	546,167	520,313
	$957,415	$925,353

See notes to Financial Statements.

LIABILITIES

	In Thousands of Dollars December 31	
	1966	1965
Current Liabilities		
Payables and Accruals	**$120,452**	$129,514
Current Portion of Long Term Debt	**4,406**	4,432
Tax Accruals	**33,736**	36,140
Total Current Liabilities	**158,594**	170,086
Reserves		
Deferred Income Taxes	**66,159**	59,856
Other	**11,225**	11,060
	77,384	70,916
Long Term Debt	**154,541**	160,268
Stockholders' Equity		
Capital Stock		
$3.75 Cumulative Preferred	**7,174**	10,333
Common *($5.00 par value)*	**95,311**	94,263
Paid in Surplus	**125,871**	119,102
Retained Earnings	**350,281**	312,137
	578,637	535,835
Less—Common Stock in Treasury, at Cost (1966—415,502 shares; 1965—415,899 shares)	**11,741**	11,752
	566,896	524,083
	$957,415	$925,353

See notes to Financial Statements.

Notes to Financial Statements

General
Consistent with prior years, the financial statements include the accounts of all significant subsidiaries, all of which are wholly owned.

In 1966, the Company exchanged 87,843 of its Common treasury shares (adjusted for the 3-for-2 stock split) for the net assets of Quartite Creative Corporation and Tiffin Art Glass Corp. These transactions have been accounted for as poolings of interests and, accordingly, the financial statements for 1965, as previously reported, have been restated to give retroactive effect to the combinations. The difference between the cost of treasury shares exchanged and the par value thereof has been allocated, retroactive to January 1, 1965, to Retained Earnings and Paid In Surplus in the amounts of $1,488,000 and $441,000, respectively.

Inventories
Inventory valuations, stated at the lower of cost or market, were as follows:

	In Thousands of Dollars December 31	
	1966	**1965**
Raw Materials and Supplies	$ 67,208	$ 82,076
Work in Process and Finished Goods	124,178	125,774
	$191,386	$207,850

Cost has been determined principally on the basis of standard or average costs with the exception of 28% of the 1966 inventory (38% in 1965), which has been valued on a last-in, first-out (LIFO) basis.

Investments and Advances
Investments and Advances to associated companies are stated at cost ($27,477,000 at December 31, 1966), which is less than the Company's equity in the net assets underlying these investments. The remaining investments are stated at estimated fair value at dates acquired, which is less than the estimated fair value at December 31, 1966.

	In Thousands of Dollars December 31	
Long Term Debt	**1966**	**1965**
3⅜% debentures due October 15, 1976	$ 8,700	$ 9,150
3¾% sinking fund debentures due November 1, 1995	39,502	39,502
3¾% promissory notes due November 1, 1995	25,000	25,000
3¾%-4¼% promissory notes due June 1, 1983	1,102	1,168
4% promissory notes due July 1, 1982	20,250	21,600
4⅝% debentures due October 1, 1985	27,000	28,000
5% promissory notes due April 1, 1980	30,800	32,900
5% promissory notes due June 25, 1970	1,489	1,985
Miscellaneous	698	963
	$154,541	$160,268

The Company is required to apply toward retirement of the principal of the indebtedness not less than the following amounts for the period 1967 through 1971: 1967—$4,406,000 (included in current liabilities), 1968—$5,516,000, 1969—$5,520,000, 1970—$5,523,000, 1971—$5,035,000.

Capital Stock
On April 26, 1966, stockholders approved a reduction in par value of Common Stock from $10 per share to $5 per share, an increase in authorized Common Stock from 15,000,000 shares to 30,000,000 shares, and authorization of 1,000,000 shares of $1 par value Junior Preferred Stock. On July 20, 1966, the Board of Directors authorized a 3-for-2 split of Common Stock and the additional shares were distributed in September, 1966. In the financial statements these changes have been given retroactive effect to January 1, 1965.

The capital stock of the Company at December 31, 1966, consisted of the following:

	Shares			
	Authorized	**Issued**	**In Treasury**	**Outstanding**
Junior Preferred ($1 par value)	1,000,000	—	—	—
$3.75 Cumulative Preferred (without par value)	150,000	150,000	78,260	71,740
Common ($5 par value)	30,000,000	19,062,238	415,502	18,646,736

At December 31, 1966 there were 754,512 shares of Common Stock (either unissued or treasury shares) reserved for sale under employees' stock purchase plans or for deferred compensation contracts.

Paid in Surplus
Changes in paid in surplus, including retroactive adjustments, were as follows:

	In Thousands of Dollars December 31	
	1966	**1965**
Balance at beginning of year:		
As previously reported		$ 86,790
Retroactive adjustments:		
Reduction of par value of Common Stock		62,622
Par value of Common Stock issued in connection with 3-for-2 stock split		(31,311)
Issuance of Common Treasury Stock to accomplish poolings of interests		(441)
Excess of par value of Common Stock issued in connection with poolings of interest over paid in capital of companies acquired		(84)
As restated	$119,102	117,576
Excess of sales price over par value of unissued shares of Common Stock sold under employees' stock purchase plans	6,382	1,454
Excess of stated value over cost of Preferred Stock reacquired	387	72
Balance at close of year	$125,871	$119,102

Stock Purchase Plans
Under plans approved by the stockholders, the Company has granted Common Stock purchase options to employees at 90 to 100 per cent of market value of the stock on the day the option was granted. At December 31, 1966 there were outstanding options to purchase 740,570 shares at prices ranging from $26.66 to $48.00 per share. Options to purchase 363,105 shares are currently exercisable and the remaining options become exercisable in annual installments over a 5 or 10-year period from the date of grant. There are 620,343 shares available for future option grants. During 1966, employees purchased 209,650 shares (adjusted for the 3-for-2 split) for $7,430,500.

Miscellaneous
Refer to Financial and Operating Review (page 22) for information regarding depreciation, income taxes, and pensions.

Accountants' Opinion

HASKINS & SELLS
CERTIFIED PUBLIC ACCOUNTANTS

TWO BROADWAY
NEW YORK 10004

To the Board of Directors and Stockholders,
Continental Can Company, Inc.:

We have examined the consolidated balance sheet of Continental Can Company, Inc. and consolidated subsidiaries as of December 31, 1966 and the related statement of consolidated earnings and retained earnings for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and statement of consolidated earnings and retained earnings present fairly the financial position of the companies at December 31, 1966 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Haskins & Sells

February 14, 1967

Working Capital Changes

	In Millions of Dollars			
	1966		1965	
Working Capital, as of January 1:				
Current Assets	**$344.0**		$315.8	
Less Current Liabilities	**170.1**		138.0	
		$173.9		$177.8*
Additions to Working Capital:				
Net Earnings for the year	**70.9**		59.5	
Items which do not require the outlay of funds:				
Depreciation and depletion	**46.5**		45.2	
Deferred portion of income taxes	**6.3**		9.8	
Increase in reserves	**.2**		—	
Total provided from operations	**123.9**		114.5	
Disposition of property, plant and equipment	**12.1**		2.7	
Sale of Common Stock to employees	**7.4**		1.8	
Other	**1.2**		—	
Total Additions		**144.6**		119.0
		318.5		296.8
Deductions from Working Capital:				
Capital expenditures for property, plant and equipment	**84.5**		83.4	
Investments and advances	**2.2**		4.5	
Dividends to stockholders	**32.8**		27.3	
Preferred Stock reacquired	**2.8**		.9	
Decrease in long term debt	**5.7**		5.5	
Other	**—**		1.3	
Total Deductions		**128.0**		122.9
Working Capital, as of December 31:				
Current Assets	**349.1**		344.0	
Less Current Liabilities	**158.6**		170.1	
		$190.5		$173.9

*Includes $1.3 million as a result of restating 1965 to include Quartite Creative Corporation and Tiffin Art Glass Corp.

Ten Years in Review 1966-1957

	1966	1965*
Income Statistics *(thousands of dollars, except per share figures)*		
Net Sales and Operating Revenues	**$1,339,180**	1,233,930
Earnings before income taxes	**$ 131,027**	111,727
Net Earnings after income taxes	**$ 70,916**	59,514
Preferred Dividends	**$ 300**	401
Net Earnings applicable to Common	**$ 70,616**	59,113
Common Dividends	**$ 32,472**	26,868
Earnings reinvested in the business	**$ 38,144**	32,245
Depreciation and Depletion	**$ 46,535**	45,192
Per cent Earnings on Sales:		
Before income taxes	**9.8%**	9.1%
After income taxes	**5.3%**	4.8%
Per share—based on average number of shares outstanding:†		
Net Earnings applicable to Common	**$ 3.81**	3.21
Common Dividends paid *(current annual rate—$1.90)*	**$ 1.75**	1.46
Balance Sheet Statistics *(thousands of dollars, except per share figures)*		
Working Capital	**$ 190,461**	173,872
Ratio—Current Assets to Current Liabilities	**2.2-1**	2.0-1
Plant and Equipment—net	**$ 546,167**	520,313
Long Term Debt	**$ 154,541**	160,268
Preferred Stock	**$ 7,174**	10,333
Common Stockholders' Equity	**$ 559,722**	513,750
Per share†	**$ 30.02**	27.87
Per cent return on average Equity	**13.2%**	11.9%
Ratio—Stockholders' Equity to Long Term Debt	**3.7-1**	3.3-1
Common shares outstanding at year end†	**18,646,736**	18,436,689
Other Statistics		
Capital Expenditures *(millions of dollars)*	**$ 84.5**	83.4
Average number of employees	**48,120**	47,287
Payroll and other employment costs *(millions of dollars)*	**$ 437.0**	409.7
Per employee	**$ 9,100**	8,700
Total Assets per employee	**$ 19,900**	19,600
Tons of paper and paperboard production	**1,477,589**	1,400,023
Timberland holdings—number of acres	**1,300,732**	1,271,462

*Restated to include Quartite Creative Corporation and Tiffin Art Glass Corp. †Adjusted to reflect 3-for-2 stock split distributed in 1966.

1964	1963	1962	1961	1960	1959	1958	1957
1,198,120	1,154,024	1,182,906	1,153,331	1,116,956	1,146,529	1,080,393	1,046,267
93,169	85,212	86,768	76,937	58,803	80,509	84,256	81,324
48,869	40,112	40,968	36,137	27,803	40,009	41,388	41,040
454	484	495	508	520	532	1,537	1,608
48,415	39,628	40,473	35,629	27,283	39,477	39,851	39,432
24,298	24,093	22,336	22,261	22,184	22,033	20,225	20,131
24,117	15,535	18,137	13,368	5,099	17,444	19,626	19,301
44,083	42,826	42,655	39,605	35,822	34,096	29,120	26,278
7.8%	7.4%	7.3%	6.7%	5.3%	7.0%	7.8%	7.8%
4.1%	3.5%	3.5%	3.1%	2.5%	3.5%	3.8%	3.9%
2.66	2.14	2.17	1.92	1.48	2.14	2.37	2.35
1.33	1.30	1.20	1.20	1.20	1.20	1.20	1.20
176,483	177,202	180,622	166,365	158,202	154,137	166,596	143,066
2.3-1	2.6-1	2.5-1	2.4-1	2.4-1	2.1-1	2.4-1	2.1-1
483,971	497,015	486,434	482,495	477,400	435,092	381,455	376,771
164,766	168,602	170,755	183,534	185,711	144,601	135,060	133,328
11,319	12,900	13,117	13,360	13,800	14,100	32,797	37,982
478,378	473,724	470,690	451,836	440,629	436,482	381,769	356,435
26.17	26.04	25.27	24.29	23.82	23.63	22.41	21.24
10.2%	8.4%	8.8%	8.0%	6.2%	9.6%	10.8%	11.4%
3.0-1	2.9-1	2.8-1	2.5-1	2.5-1	3.1-1	3.1-1	3.0-1
8,282,443	18,189,672	18,629,337	18,601,361	18,495,489	18,471,977	17,032,973	16,779,813
58.9	56.1	49.9	47.8	82.2	88.9	38.1	62.3
48,661	49,138	49,094	49,332	50,651	51,817	51,892	53,886
399.4	381.9	375.2	365.9	359.6	360.1	330.8	327.8
8,200	7,800	7,600	7,400	7,100	6,900	6,400	6,100
17,500	16,500	16,400	16,000	15,100	14,500	13,300	12,300
1,349,717	1,293,110	1,243,795	1,180,012	1,074,817	1,084,928	969,747	978,779
1,265,590	1,261,212	1,242,703	1,214,863	1,211,927	1,175,541	1,129,009	987,038

Board of Directors

Since	
1951	**Paul C. Cabot** Chairman of the Board, State Street Investment Corporation
1950	**Lucius D. Clay** Senior Partner, Lehman Brothers
1948	**George P. Edmonds** Honorary Chairman of the Board, Wilmington Trust Company
1951	**Thomas C. Fogarty** Chairman of the Board of the Company
1951	**John M. Franklin** Chairman of the Board, United States Lines Company
1962	**Ellison L. Hazard** President of the Company
1962	**Helmer R. Johnson** Attorney, partner in law firm of Willkie Farr Gallagher Walton & FitzGibbon
1964	**George A. Murphy** Chairman of the Board, Irving Trust Company
1956	**Reuben L. Perin** Vice Chairman of the Board of the Company
1964	**Charles E. Saltzman** Partner, Goldman, Sachs & Co.
1960	**Sherrod E. Skinner** Chairman, Board of Trustees, Aerospace Corporation. Retired Executive Vice President, General Motors Corporation
1964	**Fredrick J. Stare** Chairman of the Department of Nutrition, Harvard School of Public Health
1960	**Charles B. Stauffacher** Executive Vice President (Finance and Administration) of the Company
1964	**Jack I. Straus** Chairman of the Board, R. H. Macy & Co., Inc.
1966	**Leslie H. Warner** President and Chief Executive Officer, General Telephone & Electronics Corporation
1966	**Lawrence Wilkinson** Executive Vice President (International Operations) of the Company

Corporate Officers

Thomas C. Fogarty . . . . Chairman of the Board

Reuben L. Perin . . . . Vice Chairman of the Board

Ellison L. Hazard . . . . President

Robert S. Hatfield . . . . Executive Vice President, Metal Operations

Charles B. Stauffacher . . . . Executive Vice President, Finance and Administration

James A. Stewart . . . . Executive Vice President, Plastics, Closures and Consumer Products Group

Lawrence Wilkinson . . . . Executive Vice President, International Operations

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Peter P. Wojtul . . . . Vice President, Secretary-Treasurer

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Joseph E. Barrett, Walter Betz . . . . Assistant Secretaries

Jay R. Olson, Jr., William H. Puette . . . Assistant Treasurers

Edward J. Lynn, Hugh M. McNeill . . . . Assistant Comptrollers

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Common Stock
Bankers Trust Company
New York, N. Y.

National Trust Company Limited
Toronto and Montreal, Canada

$3.75 Cumulative Preferred Stock
Bankers Trust Company
New York, N. Y.

Registrars

Common Stock
Irving Trust Company
New York, N. Y.

Eastern & Chartered Trust Company
Toronto and Montreal, Canada

$3.75 Cumulative Preferred Stock
Irving Trust Company
New York, N. Y.

General Counsel

Willkie Farr Gallagher Walton & FitzGibbon
New York, N. Y.

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Vice President,
Assistant General Manager,
Metal Operations

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Vice President, General Manager,
Pacific Metal Division

Raymond G. Fisher
Vice President, General Manager,
Central Metal Division

Robert D. Heaviside
Vice President, General Manager, Eastern Metal Division

Wilbur K. Neuman
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General Manager, Woodlands Division

George A. Oechsle, Jr.
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General Manager,
Bond Crown Division

Equipment Manufacturing Division

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General Manager

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President

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